

**Top Secret**

(Security Classification)

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NATIONAL INTELLIGENCE DAILY CABLE

Tuesday July 6, 1976 CI NIDC 76-157C



**NATIONAL SECURITY INFORMATION**

Unauthorized Disclosure Subject to Criminal Sanctions

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DIA review(s) completed.

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State Dept. review completed

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National Intelligence Daily Cable for Tuesday, July 6, 1976.

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[REDACTED] The NID Cable is for the purpose of informing senior US officials.

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SPAIN

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[REDACTED] Adolfo Suarez, who was sworn in as Spain's prime minister yesterday, is a bright, articulate, 43-year-old politician who supports political reform in spite of his close ties to the Franco regime's National Movement.

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[REDACTED] King Juan Carlos evidently chose him over the other two candidates presented by the Council of the Realm because of a close personal relationship that has developed between them and a belief that Suarez will provide vigorous leadership in moving forward with the stalled political reform program.

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[REDACTED] The King reportedly wanted to end the generation gap that existed between him and the 68-year-old former prime minister, Carlos Arias, who appeared unwilling or unable to cope with opposition to the reform program among rightists as well as the deteriorating economic situation.

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[REDACTED] Suarez' career has been in the National Movement but, as minister of the Movement in the outgoing cabinet, he led the way in deemphasizing it. He publicly supported the new law legalizing political parties last month. His relative inexperience and his previous connections to the Franco regime, however, have led various politicians and newspapers to reserve judgment on him at least until his cabinet is announced.

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[REDACTED] Reports that several reformist ministers in the outgoing cabinet have refused to serve under Suarez may mean that the new cabinet will be denied a reformist image, at least initially. Foreign Minister Areilza, who was one of the three candidates for prime minister proposed by the Council of the Realm, and Interior Minister Fraga reportedly refuse to stay at their posts, and the information, education, and justice ministers will not remain.

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[REDACTED] A reliable source told the US embassy that both Areilza and Fraga felt they had received a slap in the face by the King who had neither consulted them nor told them of his intention to request Arias' resignation.

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[ ] Other sources report these ministers also object to Suarez because of his rumored plans to bring technocrats of the Roman Catholic lay organization Opus Dei back into influential positions. The Opus Dei technocrats planned Spain's economic boom in the 1960s but were removed from the cabinet as a result of jealousy over the power they wielded. Their managerial talents would be useful at the present juncture.

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[ ] Should Suarez call back a large number of the Opus Dei technocrats his cabinet might be reminiscent of those of a decade ago, [ ] Such an image might hinder the reform program, and especially the King's efforts to get the democratic opposition parties to participate in the referendum on constitutional changes in October. A number of opposition party leaders have expressed disapproval of the referendum. [ ]

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#### ITALY

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[ ] The agreement over the weekend among Italy's major parties to give the Communists the presidency of the newly elected Chamber of Deputies is a substantial concession that may eventually become part of an arrangement under which the Communist Party would agree to cooperate with a government in which it holds no cabinet posts.

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[ ] The parties also decided that the Christian Democrats would receive the presidency of the Senate and that the Socialists, Italy's third largest party, would receive a substantial number of second echelon posts.

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[ ] At their first meeting yesterday, the Chamber confirmed Pietro Ingrao, a leading Communist Party figure, as president and the Senate selected Amintore Fanfani, a Christian Democratic notable who has served several times as premier.

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[ ] The Communists have been insisting that their new strength in parliament entitled them to the presidency of either the Chamber or the Senate, posts previously held only by governing parties. At the same time, the Communists have hinted that such a concession might induce them to agree to an arrangement under which they would be consulted formally on a new government program and agree not to oppose it in parliament.

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[ ] It is generally recognized in Italy that some degree of Communist involvement is necessary to the success of any economic recovery effort. It also is agreed, however, that it would be politically difficult, if not impossible, for the Christian Democrats to offer cabinet membership to the Communists at this time.

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[ ] No timetable has been set for negotiations on a new government, although they could begin later this week.

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[ ] Last week, the Christian Democrats officially proposed a coalition in which the Socialist Party would be their major partner and in which the smaller parties--excluding the neo-Fascists--would have limited roles. The Christian Democrats offered to consult with the Communists on the government's program provided they agreed to remain officially in the opposition rather than become part of the government's working majority in parliament as the Socialists have been demanding.

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[ ] The negotiations are likely to center on an effort to define the Communists' role in a way acceptable to all three major parties. The Socialists have yet to comment on the substance of the Christian Democrats' proposal and have said only that they will not discuss it bilaterally with the Christian Democrats. The Socialists insist that the negotiations take place in a round-table format similar to that which produced the agreement on division of the parliamentary posts. [ ]

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#### LEBANON

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[ ] Palestinian leader Yasir Arafat returned to Lebanon through Syrian-controlled territory on Sunday and met there almost immediately with Syrian Foreign Minister Khaddam and officials of the Christian Phalanges Party to try to negotiate another cease-fire. Representatives of Kamal Jumblatt's leftist coalition were asked to join the talks, which were scheduled to resume Wednesday under the auspices of Arab League Secretary General Riyad. The talks, however, were canceled reportedly due to the renewal of fighting.

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[ ] Khaddam arrived in Moscow yesterday for a four-day visit. His trip, which had not been announced beforehand by either side, is the first high-level Soviet-Syrian contact since

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Premier Kosygin's visit to Damascus early last month. Syria's intervention in Lebanon has deeply troubled Moscow because it has pitted Damascus against the fedayeen and left-wing Lebanese who are also on friendly terms with the USSR. Foreign Minister Gromyko probably is doing whatever he can to encourage the success of the multi-party peace talks.

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[ ] Late Monday Libyan Prime Minister Jallud reportedly returned to Beirut from Damascus, despite an announcement last week that he was ending his mediation mission and would return to Libya.

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[ ] The Christians claim they have overrun most of the Tall Zatar refugee camp and are engaged primarily in mopping up operations. Fighting continued in several other areas, including just south of Tripoli where the Palestinians opened up a new front. They attacked the town of Chekka and several other nearby villages, presumably in retaliation for the Christian assault on Tall Zatar.

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[ ] Syrian forces maintain their blockade of several Palestinian- or leftist-controlled towns in the northern Bekaa Valley as well as the southern port of Sidon. The Syrians shelled a ship trying to enter the Sidon port on Saturday.

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[ ] The Syrians apparently linked with Christian forces just north of Beirut over the weekend, tightening their control over access to the capital. The Palestinians say the Syrians shelled one of their relief columns trying to reach Tall Zatar on Saturday. [ ]

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#### KENYA-UGANDA

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[ ] //Kenyan officials reportedly fear that Ugandan President Amin is planning to retaliate militarily for Kenya's complicity in the Israeli rescue operation at Entebbe Airport on Saturday. [ ]

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[ ] //For the moment, Amin appears to be playing the role of the aggrieved party and accepting the sympathy of the USSR, Egypt, Iraq, and other countries that have condemned the

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Israeli raid. In his public statements, Amin has stressed the killing of Ugandan troops and his "humanitarian role" in negotiating for the release of the hostages. He has called for international condemnation of Israel and Kenya.//

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[REDACTED] //Amin has probably been shaken, at least temporarily, by the destruction of a sizable portion of Uganda's inefficient air force during the Israeli raid and by the apparent close cooperation between Kenya and Israel. Amin, who received military training in Israel, has long had a high regard for Israel's military capability.//

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[REDACTED] //Amin may believe he has been so humiliated by the raid that he must boost his image with a military move against Kenya or at least make some threatening gestures.

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[REDACTED]

[REDACTED]

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[REDACTED]

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[REDACTED] //The OAU, which ended its summit in Mauritius yesterday, has condemned the Israeli raid and called for a UN Security Council session. There apparently was little or no direct criticism of Kenya at the OAU session.//

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[REDACTED] //Many OAU states may privately sympathize with the Kenyans in their efforts against the terrorists and Amin, especially in view of indications that Ugandan soldiers cooperated with the hijackers.

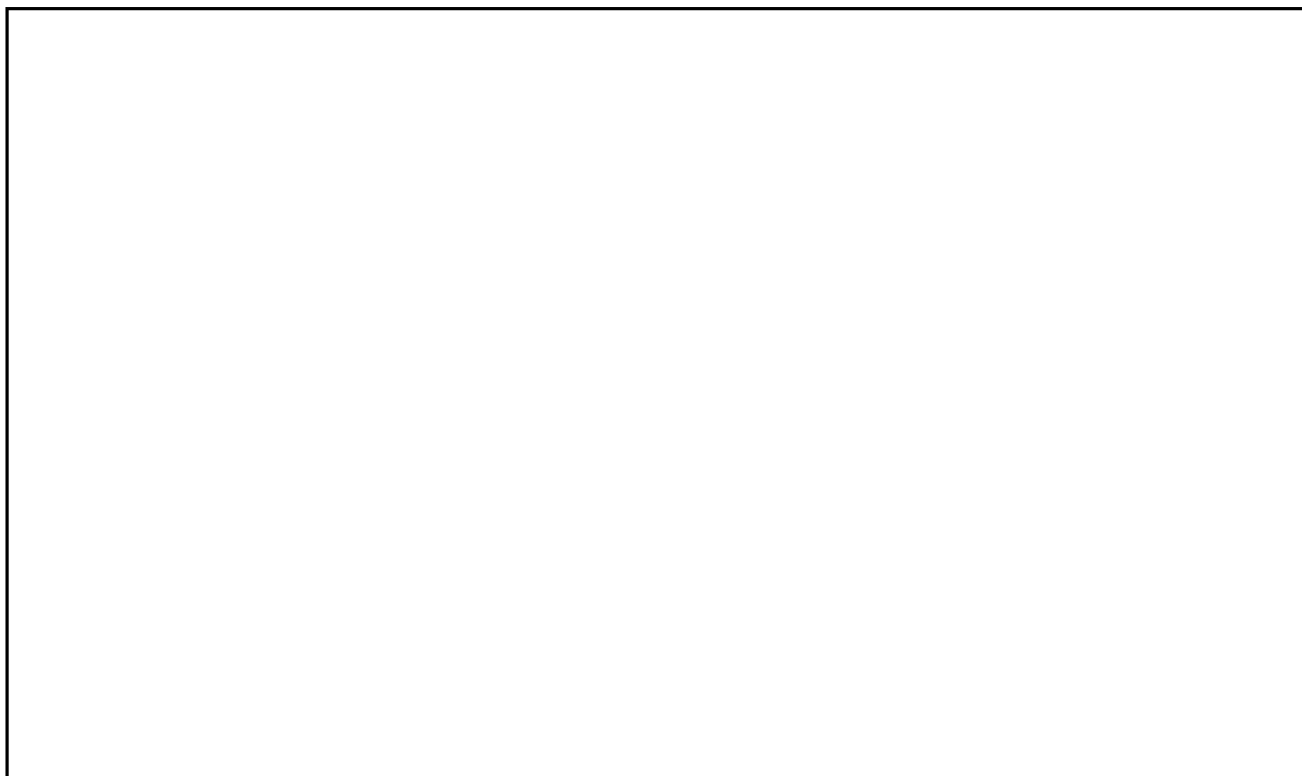
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[REDACTED]

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GREECE-TURKEY

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[REDACTED] //As political rhetoric and tensions between Greece and Turkey over the activities of the Sismik I increase, the possibility grows that a clash could take place, either by accident or miscalculation, although both countries would like to avoid any incident.//

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[REDACTED] //A Turkish air and naval exercise called Sea Wolf began yesterday. In anticipation of the exercise, Greek

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armed forces units have been at a full state of readiness since Sunday. US military attaches in Ankara report that the exercise is a regularly scheduled operation to test the fleet's defensive capability. Although this exercise may coincide with the sailing of the Sismik I, we have no evidence that the two events are related.

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There are conflicting reports, however, about the planned route and activity of the Sismik I after it enters the Aegean. A Turkish press report last Wednesday states that the ship will enter disputed waters near the Greek island at Lesbos by itself sometime in mid-July. Even if this report is true, there are indications that the stay in disputed waters will be brief and symbolic so as to avoid unduly antagonizing the Greeks.

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#### CYPRUS

Efforts to revive the Cypriot intercommunal talks are meeting with little success; neither Greek nor Turkish Cypriot leaders are willing to compromise on procedural questions.

The main stumbling block is the Turkish Cypriots' insistence that substantive issues be taken up by subcommittees and the Greek Cypriot demand that an agreement in principle on the territorial question be concluded first.

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Makarios says the Turks are not ready to negotiate seriously and that international pressure is required to force them to do so. He will raise the Greek Cypriot case at the non-aligned conference in Colombo in August and is urging Moscow to take more interest in the Cyprus problem. He also intends to take the issue to the UN General Assembly this fall.

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[ ] Makarios' strategy for a "long struggle" has become an issue in the parliamentary election campaign now being waged in the Greek Cypriot zone. Former Greek Cypriot negotiator Glafkos Clerides is fighting a spirited battle for a "realistic" strategy, but he has little chance to overcome the political forces Makarios has arrayed against him.

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[ ] Buoyed by his own landslide victory in the recent Turkish Cypriot elections, Rauf Denktash has been just as unmoved by Waldheim's efforts as Makarios and has adopted an even tougher line than the mainland Turks. Denktash declared to UN Special Envoy De Ceullar that in any new round of talks the Greek Cypriots must agree to all his criteria on territory as well as to a two-zone federation with a weak central government. Only then would he agree to consider minor "corrections" in the line between Greek and Turkish sectors.

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[ ] Denktash also indicated for the first time that Morphou and Famagusta would remain under Turkish Cypriot control even if some Greek Cypriot refugees are allowed to return.

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[ ] De Ceullar intends to travel to Athens and Ankara next month in an effort to win some backing for Waldheim's effort. The Turks may be persuaded to prevail on Denktash to reopen the talks under Waldheim's formula. Athens, however, has far less influence on Makarios, who is likely to oppose a reopening of the talks without some guarantee that Ankara means to deal substantively with the problem. [ ]

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#### PORTUGAL-NATO

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[ ] NATO representatives have begun steps to coordinate member country military aid to Portugal; this will facilitate efforts to integrate the Portuguese military more fully into the Alliance.

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[ ] Allied officials have agreed to establish terms of reference for an ad hoc group to oversee assistance for the modernization of the Portuguese armed forces. The NATO plan, which includes the formation of an air-transportable infantry brigade, foresees a European role for the Portuguese.

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[REDACTED] //The Portuguese have expressed appreciation for the limited support provided already by West Germany and the US.//

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[REDACTED] As further evidence of its desire to become more involved in the Alliance, Lisbon has also decided to play a more active role in NATO and will attempt to join the European Program Group--the European-based arms standardization effort.//

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[REDACTED] //Lisbon wants the ad hoc group to move quickly and tentative plans call for a meeting this month, with the terms of reference to be readied for NATO approval in September.//

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#### UNITED KINGDOM

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[REDACTED] //Britain's Labor government announced plans last week to ease price controls in an effort to stimulate the country's economic recovery. The changes are scheduled to take effect August 1, the start of the second year of the government's anti-inflation program.//

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[REDACTED] //The main changes are:

--An increase from 20 percent to 35 percent in the proportion of the costs of new investment that can be passed on in higher prices.

--Continuation of tax breaks gained through liberalized inventory accounting procedures.

--Measures to soften price regulations that discourage cost-cutting and greater output.

--Measures to reduce the administrative burden on companies operating under the price code.//

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[REDACTED] //These steps are aimed at increasing the profitability of British firms and enhancing investment in new plant and equipment. Shirley Williams, secretary of state for prices and consumer protection, said that in 1975 the net return on

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capital for British industry had fallen to an extraordinarily low 2 percent, about half the 1974 figure. She predicted the price control changes would encourage investment. A spokesman for the Confederation of British Industry disagreed, saying the proposed changes will not go anywhere near far enough.//

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[REDACTED] //The price control decision will further test trade union support for the government's policy of wage restraints. Union leaders have already warned that a "price explosion" would undermine union support for the 4.5 percent wage ceiling agreed to on June 16. The government is gambling that the union leaders can sell the limited price relaxation to union members. [REDACTED]

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#### CHINA

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[REDACTED] //The Chinese have not carried out any more shellings in the Taiwan Strait area.//

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[REDACTED] //We have seen no indication of any unusual land, sea, or air activity in the area since the reported shelling of an unoccupied island near Kinmen on Saturday.//

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[REDACTED] //The US embassy in Taipei reports that Chinese Nationalist officials are not unduly alarmed about the shelling. The Chinese Nationalists apparently have taken no military action

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AUSTRALIA

25X1 [ ] //The Australian Labor Party remains divided and disorganized some seven months after being ousted from office in a national election. It is not an effective political opponent for the Liberal-Country government, and its inability to pull itself together has erased any hope of an early return to office.//

25X1 [ ] //The party's younger and more enlightened members were the principal casualties of the election rout last December;

there are now only three Labor members of the House under age 40. Most survivors are aging representatives of traditional Labor constituencies, party hacks who expend most of their energies on factional feuding.//

25X1 [ ] //Former prime minister Whitlam, around whom the party rallied after his dismissal by the governor general last November, shows none of his former leadership qualities. Tainted by a foreign loans scandal that came to the surface after the election, he is discredited even among his former backers.//

25X1 [ ] //Whitlam's performance as parliamentary floor leader has become indifferent, but the Labor Party is unable to agree on a successor. No one commands sufficient support to challenge Whitlam, and despite his disgrace, the former prime minister still uses some of his old political skills to play one potential successor against another.//

25X1 [ ] //Labor's only hope appears to be the popular Robert Hawke, president of the party and the Australian Council of Trade Unions. Hawke has been the only effective Labor critic of the Liberal-Country government, but he is not yet a member of  
25X1 Parliament. [ ]

#### INTERNATIONAL TIN

25X1 [ ] Last week, the International Tin Council initiated another five-year accord designed to stabilize prices and supplies through management of a buffer stock. Bolivia's last-minute notification of its intention to ratify allowed the agreement to take effect provisionally July 1.

25X1 [ ] Bolivia--the world's second largest tin producer--fought unsuccessfully for increases in the Council's floor and ceiling prices, hoping to protect its inefficient, high-cost, and strike-plagued mining industry. World tin prices are now well above Bolivia's break-even point of \$3.10 per pound, a fact that presumably weakened La Paz' case. The Bolivians also were unhappy with the lifting of producer export controls.

25X1 [ ] Additional wrangling is likely, and the pact will collapse by the end of the first year if the members fail to ratify

the agreement. Bolivia probably will be the main source of contention, again pressing for a hike in floor and ceiling prices and for obligatory financial contributions from consumers to the buffer stock. These contributions are now voluntary.

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